

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

REVIEW REPORT
OF
INDIANA TOBACCO PREVENTION CESSATION AGENCY
STATE OF INDIANA
APRIL 1, 2003 to MARCH 31, 2006



FILED
7/27/06

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Karla Sneegas	04-01-03 to 06-30-07
Chairman	Bain J. Farris	04-01-03 to 04-01-04
	Dr. Gregory Wilson (Interim)	04-02-04 to 07-31-04
	Susan Crosby	08-01-04 to 01-10-05
	Dr. Judith Monroe (Interim)	01-11-05 to 06-19-05
	Dr. Judith Monroe	06-20-05 to 01-11-09



STATE OF INDIANA

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF INDIANA TOBACCO PREVENTION CESSATION AGENCY

We have reviewed the receipts, disbursements, and assets of the Indiana Tobacco Prevention and Cessation Agency for the period of April 1, 2003 to March 31, 2006. The Indiana Tobacco Prevention and Cessation Agency's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Indiana Tobacco Prevention and Cessation Agency are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

May 4, 2006

INDIANA TOBACCO PREVENTION CESSATION AGENCY
REVIEW COMMENTS
MARCH 31, 2006

INTERNAL CONTROLS FOR GRANT ADVANCES

In the prior report (B20871) we noted the following concerning the controls over the issuance of advances of grant funds. Significant grant advances were issued without financial analysis to assess the financial liabilities, capabilities, and going concern status of the grantees. Grants were issued to for profit corporations, non-profit corporations and governmental entities. Nineteen grants classified as statewide or pilot programs, were advanced for the entire annual budget. For grants classified as minority or community programs, advances were issued twice a year for half of the annual budget. The risk of loss from advance grant payments to nongovernmental entities was not adequately considered. At least three grantees have had business failure, grant shortages, or accounting irregularities.

The previous statewide grants reported have not had the final grant financial monitoring audits performed. The advances issued to these grantees in 2002 and 2003 totaled \$9,176,820. The grants were omitted from lists transmitted to our office for contract audit monitoring to be performed.

The ITPC also does not receive or review financial audit reports for any grantees, subsequent to grant issuance.

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

ATTENDANCE REPORTS

During our review, we found several attendance reports that did not have the date when they were approved by a supervisor. We therefore, could not determine if those attendance reports were approved before or after the employee signed.

After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee, or by another designated individual who has knowledge of the employee's attendance. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9)

REFUNDS OF EXPENDITURE

The Tobacco Prevention and Cessation Agency deposited several refunds for previous fiscal year expenditures as current year refunds. At our request, the agency identified the refunds that were incorrectly recorded from April 2003 through March 2006 totaled \$1,693,630.64. Of this, \$886,274.84 was recorded during the current fiscal year. The effect of the errors made by Tobacco Prevention and Cessation Agency is understating expenses reported and supplementing its budget by the amount deposited.

A refund of expenditure can only be used if the original disbursement and the refund or collection is within the same fiscal year. If the collection is not received within the same fiscal year as the related expenditure, then the collection must be recorded as miscellaneous revenue. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 3)

INDIANA TOBACCO PREVENTION CESSATION
EXIT CONFERENCE

The contents of this report were discussed on June 20, 2006, with Karla Sneegas, Executive Director; and Celesta Bates, Chief Financial Officer. The official response has been made a part of this report and may be found on pages 6 and 7.



www.itpc.in.gov

June 30, 2006

Mr. Bruce A. Hartman, CPA
State Examiner
State Board of Accounts
302 West Washington Street
4th Floor, Room E418
Indianapolis, IN 46204-2765

Dear Mr. Hartman:

I would like to enter into the record our response to your comments detailed in the Audit Report for the Indiana Tobacco Prevention and Cessation Agency (ITPC) March 31, 2006.

The report states that “the risk of loss from advance grant payments to nongovernmental entities was not adequately considered.” Beginning with the Request for Proposals for grants awarded in fiscal years 2004-2005 and after, audited financial statements were requested, received and reviewed for all nongovernmental entities. Review of the financial statements did not provide any indication of the possibility that any of the grantees would have experienced business failure, grant shortages, or accounting irregularities. ITPC will continue to gather and review the audited financial statements as indicated.

Shortly before the review began ITPC discovered that there were statewide grants that had not received a final review. Upon review of correspondence between ITPC and the State Board of Accounts, we were able to confirm that ITPC had failed to request a final review of all the statewide grants. The request for the final review has been submitted to your office. The final reviews of those grants have begun.

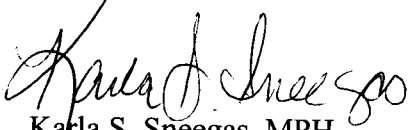
ITPC will institute a policy during the next Request for Proposals for grant funding during SFY 2008 – 2009, to require grantees to submit financial statements periodically as appropriate during the grant cycle.

The report also states that “during the review, we found several attendance reports that did not have the date when they were approved by a supervisor. We therefore, could not determine if those attendance reports were approved before or after the employee signed.” ITPC will more closely monitor the internal policy which requires all supervisors and managers to review and sign the attendance reports immediately upon receipt from the employees. ITPC management staff has been advised of this finding and corrections have been made.

Finally, the report states "ITPC deposited several refunds for previous fiscal year expenditures as current year refunds." The agency has identified the refunds that were incorrectly recorded in this fiscal year and made the necessary corrections. The policy in place now requires two individuals within the Finance Division to review and verify receipts for appropriate accounting treatment of funds coming into the agency.

I appreciate the opportunity to provide our corrective actions to the report.

Respectfully,

A handwritten signature in cursive script, appearing to read "Karla S. Sneegas".

Karla S. Sneegas, MPH

Executive Director

Indiana Tobacco Prevention and Cessation